



REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN GREENE COUNTY

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2000-134
December 29, 2000
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2000

www.auditor.state.mo.us

The annual review of audits of fire protection districts in Greene County has been completed. This review covered reports for the year ended December 31, 1999 that were required to be submitted to the State Auditor's office within six months after the year end.

State law requires Greene County fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year.

Eight of 11 districts in the county are required to have at least a biennial audit. However, the Walnut Grove Fire Protection District has not obtained an audit for the years ended December 31, 1999 and 1998 and therefore are not in compliance with state law. The three other districts submitted unaudited financial reports.

This report includes information about the districts' revenues, expenditures, and balances, and summarizes comments made by the various districts' independent auditors including recommendations for improving accountability and management of finances.

Copies of the audit are available upon request.

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Roger Wilson, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in Greene County

We have conducted a special review of independent audits of the fire protection districts in Greene County as required by Section 321.690, RSMo. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.

Section 321.690, RSMo 1994, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district

is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor received and accepted four of the five required audit reports for the year ended December 31, 1999. The Walnut Grove Fire Protection District had not obtained an audit for the years ended December 31, 1999 and 1998 as of October 24, 2000.

During our review, we considered Section 321.690, 1994 and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports and other financial information submitted to the State Auditor by the various fire districts for the year ended December 31, 1999. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

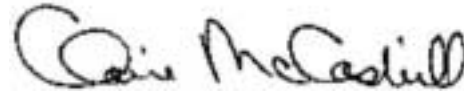
Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted during our review of the fire protection districts' audit reports and the compliance deficiencies are summarized on Schedule 4. The problems noted included, failure to submit an audit report to the State Auditor's office (SAO) by June 30, 2000, and failure to submit engagement letters to the SAO.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditor reports for the year ended December 31, 1999. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditor's working papers need to be improved in this area.

As shown in Appendix A, independent auditors made a few specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding budgets and pledged securities. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

This is the sixth review the State Auditor's office has performed of the Greene County fire protection districts' reports and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with the Greene County fire protection districts.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

October 24, 2000 (fieldwork completion date)

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA
Audit Staff:	Ted Fugitt, CPA

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES

Year Ended December 31,							
1998				1999			
District	Beginning Balance	Revenues	Expenditures	Ending Balance	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 8,233	39,955	41,267	6,921	44,411	49,378	1,954
Battlefield	1,059,283	679,375	334,582	1,404,076	709,768	1,455,572	658,272
Bois D'Arc	2,602	25,906	21,390	7,118	23,556	28,649	2,025
Brookline	160,517	123,189	124,519	159,187		(Note 1)	
Ebenezer	73,036	87,643	86,368	74,311	94,661	85,870	83,102
Fair Grove	69,432	69,738	51,712	87,458		(Note 1)	
Logan-Rogersville	348,832	464,201	334,940	478,093		(Note 1)	
Strafford	167,518	165,975	144,134	189,359	182,023	184,310	187,072
Walnut Grove	4,716		(Note 1)			(Note 1)	
West Republic	4,891	37,020	37,219	4,692	37,879	30,751	11,820
Willard	229,988	204,432	165,762	268,658	203,429	170,310	301,777
	\$ 2,129,048	1,897,434	1,341,893	2,679,873	1,295,727	2,004,840	1,246,022

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF GENERAL FIXED ASSETS

District	December 31, 1999			December 31, 1998
	Land and Buildings	Furniture and Equipment	Total	Total
Battlefield	\$ 1,403,951	1,181,954	2,585,905	1,477,581
Brookline		(Note 1)		257,240
Ebenezer	137,367	255,968	393,335	355,055
Logan-Rogersville		(Note 1)		1,384,516
Strafford	235,657	252,081	487,738	471,660
Willard	317,590	626,706	944,296	924,508
	\$ 2,094,565	2,316,709	4,411,274	4,870,560

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
 SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES
 YEARS ENDED DECEMBER 31, 1999 AND 1998

District			Tax Levy Per \$100 of Assessed Valuation	
	Assessed Valuation		General	
	1999	1998	1999	1998
Ash Grove	\$ 15,368,419	14,482,067	0.27	0.27
Battlefield	239,675,108	227,771,730	0.27	0.27
Bois D'Arc	12,044,227	11,315,355	0.20	0.20
Brookline	47,941,475	42,644,953	0.27	0.27
Ebenezer	58,686,887	56,812,303	0.15	0.15
Fair Grove	32,215,740	31,409,564	0.20	0.20
Logan-Rogersville	183,354,671	171,800,807	0.26	0.26
Strafford	61,755,213	60,540,847	0.26	0.25
Walnut Grove	21,789,700	19,123,092	0.30	0.30
West Republic	13,291,570	12,614,052	0.28	0.28
Willard	68,690,012	64,137,916	0.27	0.27

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40
YEAR ENDED DECEMBER 31, 1999

<u>Description of Deficiencies</u>	<u>Title</u>	<u>Number of Errors</u>	<u>Number of Applicable Reports</u>	<u>Percent</u>
Audit report was not submitted by June 30, 2000.	15 CSR 40-4.010	1 *	5	20%
Engagement letter was not submitted to the State Auditor.	15 CSR 40-4.010	2	4 **	50%

* The Walnut Grove Fire Protection District has not obtained an audit for the years ended December 31, 1999 and 1998 as of October 24, 2000.

** The Walnut Grove Fire Protection District was not included as applicable.

NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS
IN GREENE COUNTY
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1999, there were eleven fire protection districts in Greene County. Districts are required to have biennial audits performed if revenues exceed \$50,000, or file a financial statement if revenues are less than \$50,000.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Four audits and three financial statements have been received as follows:

1. The Battlefield, Ebenezer, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 1999. Each of these districts previously obtained audits for the year ended December 31, 1998.
2. The Walnut Grove Fire Protection District notified the State Auditor's office in writing of their plans to obtain an audit for the two years ended December 31, 1999; however, the district had not received an audit as of October 24, 2000.
3. The Brookline, Fair Grove, and Logan-Rogersville Fire Protection Districts obtained audits through December 31, 1998. These districts plan to obtain an audit for the two years ended December 31, 2000.
4. The Ash Grove, Bois D'Arc and West Republic Fire Protection Districts were not required to obtain audits. Information presented in this report was obtained from unaudited information provided by these districts.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, and unaudited financial statements received from the Greene County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

1. The financial statements of the Battlefield, Brookline, Ebenezer, Fair Grove, Logan-Rogersville, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. The ending balances represent assets net of liabilities. Revenues are recognized in the fiscal period in which they become available and measurable. Expenditures are recognized in the fiscal period in which the related liability is incurred.
2. The financial statements of the Ash Grove, Bois D'Arc and West Republic Fire Protection Districts are presented on a cash basis of accounting. The ending balances represent cash balances. Revenues are recognized when received in cash and expenditures are recognized when disbursed in cash.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Fund in a combined format. The General Fund is the general operating fund of each district and is used to account for all operating resources.

Schedule 2 presents the general fixed asset balances of the districts at December 31, 1999, with comparative totals of general fixed assets at December, 31 1998. The fire protection districts that are presented are only those which obtained an audit for 1998 or 1999. However, the Fair Grove Fire Protection District's 1998 audit report did not include a schedule of general fixed assets.

Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies. Immaterial differences were noted in the assessed valuations presented in the audit reports and the amounts reported by the districts to the State Auditor's office. In addition, in 1998 and 1999, Walnut Grove Fire Protection District levied .01 and .02, respectively, in excess of the levies approved by the State Auditor's office. In 1998 and 1999, the Fair Grove Fire Protection District levied .01, in excess of the levies approved by the State Auditor's office.

Schedule 4 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Method of Accounting

All of the districts' operations are accounted for in the General Fund, which is a governmental type fund. As described in Note 1.B., the districts use various methods of accounting for their General Funds.

For those districts which have obtained audits, all fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the General Fund and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

2. Independent Audits

For the year ended December 31, 1999, two independent auditors each performed one audit, and one independent auditor performed two audits.

3. Compensation Of Directors

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1999, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. Most of the districts have three-member boards of directors, except for the Brookline and Willard Fire Protection Districts which have five-member boards. When more than three or five names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district which was audited.

<u>District</u>	<u>Total Compensation Paid</u>	
	<u>1999</u>	<u>1998</u>
Battlefield	\$ 5,745	5,730
Ebenezer	0	0
Strafford	5,150	5,150
Willard		1,000 1,000

APPENDICES

Appendix A

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 1999

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year ended December 31, 1999. These comments apply to one fire protection district unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Budgets

- * Actual expenditures exceeded budgeted expenditures.

Pledged Securities

- * District deposits of \$15,715 were uninsured and uncollateralized as of December 31, 1999.

Appendix B

321.690 RSMo Cum. Supp 1999

1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.
- 2.(1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.
- (2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.
3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.
4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.